

## Message Text

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ACTION IO-13

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOTE-00 EB-07 INR-07 NSAE-00 CIEP-01 FAA-00 AF-08

ARA-06 EA-07 NEA-10 ABF-01 TRSE-00 OMB-01 L-03 /079 W

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E. O. 11652: N/A

TAGS: PORG, EAIR, ICAO

SUBJ: ICAO: DEN-ICE JOINT FINANCING AGREEMENTS - EXCHANGE RATE  
QUESTION

REF: STATE 209016

1. PER PARA 5 REFTEL USREP MET WITH SECRETARIAT (SECRETARY OF JOINT SUPPORT CTE). APPARENT THAT SECRETARIAT CONFUSED AND/OR TRYING TO COVER FOR PAST INEPT HANDLING. (A) SECRETARY ATTEMPTED TO CONVINCE USREP THAT JOINT SUPPORT CTE HAD TAKEN FIRM DECISION IN LAST SESSION TO CONTINUE WITH IMF CENTRAL RATE. MINUTES CLEARLY REFLECT POSTPONEMENT OF SUCH A DECISION PENDING DETAILED INFORMATION RE THE DIFFERENCES BETWEEN VARIOUS EXCHANGE RATES. SECRETARY THEN ADMITTED THAT CTE HAD NOT DECIDED TO CONTINUE IMF "CENTRAL RATE" BUT SAID AS A PRACTICAL MATTER, ICAO HAD TO SEND BILLS TO CONTRIBUTING STATES FOR SECOND HALF 1976, AND FOR THAT PURPOSE HAD TO ASSUME THE CONTINUED USE OF THE PREVIOUSLY USED RATE. (B) SECRETARY TOLD US CONFIDENTIALLY THAT DENMARK'S RESPONSE TO ICAO'S LETTER REQUESTING THE INFORMATION NEEDED BY THE CTE HAD BEEN LATE AND INADEQUATE. ICAO HAS REPEATED ITS REQUEST TO DENMARK. (C) TO COMPLICATE MATTERS, WHILE SECRETARY WAS ON SUMMER VACATION, ANOTHER STAFF MEMBER SENT USUAL ROUTINE CABLE TO ICELAND ASKING WHAT EXCHANGE RATE HAD BEEN NEGOTIATED FOR SECOND HALF 1976 BILLING -- BUT UNFORTUNATELY SAME LANGUAGE WAS

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SENT IN DENMARK CABLE WHICH SHOULD HAVE BEEN ROUTINE TWICE-A-YEAR

REQUEST FOR DENMARK AGREEMENT TO CONTINUED USE OF IMF "CENTRAL RATE." DENMARK SEIZED THIS LONG AWAITED OPPORTUNITY PROBABLY BELIEVING IT WAS FINALLY PURSUANT TO THEIR CORRESPONDENCE WITH ICAO AND ICAO'S SUGGESTION THAT A NEGOTIATING APPROACH MIGHT BE USED (REF: ATTACHMENT TO JSWP 965). THEY PROPOSED TO ICAO THE USE OF SAME RATE PARA 3 REFTEL, 6.137 DK TO ONE US DOLLAR; AND UNDOUBTEDLY IT WAS THIS CABLE THAT LED DENMARK TO MAKE REPRESENTATIONS TO DEPARTMENT REQUESTING USE OF JULY 1 "COMMERCIALLY AVAILABLE" RATE (BANK OF DENMARK). ON RETURN OF SECRETARY, ICAO IMMEDIATELY RETRACTED REQUEST TO DENMARK, AND INFORMED THEM THAT JSCTE HAD DECIDED ON CONTINUED USE OF "CENTRAL RATE," PENDING FINAL DECISION ON EXCHANGE RATE AND DANISH RETROACTIVE CLAIM.

2. DURING DISCUSSIONS, REFERENCE WAS MADE TO ARTICLE XI PARA 4 OF AGREEMENT (PAR VALUE OR AGREEMENT AMONG STATES). SECRETARY INDICATED THAT OBVIOUSLY WE WEREN'T IN KEEPING WITH AGREEMENT BUT HOPEFULLY THE QUESTION OF A FORMAL AMENDMENT WOULD NOT COME UP BEFORE THE DEN/ICE III CONFERENCE PROPOSED FOR MARCH 1977 -- AND HOPEFULLY COULD BE TAKEN CARE OF APART FROM THE CONFERENCE.

3. UKREP WOULD HAVE NO OBJECTION TO NEGOTIATED RATE APPROACH, BUT USREP HAD IMPRESSION THAT THEIR POSITION CONTINUES TO PREFER USE OF CENTRAL RATE. FYI: IT WAS UK THAT "NEGOTIATED" WITH DENMARK AND PROPOSED TO CTE THAT IMF CENTRAL RATE BE USED (FEB 1972).

4. USREP RECOMMENDS THAT (A) WE PAY SECOND HALF 1976 ASSESSMENT BASED ON CONTINUED USE "IMF CENTRAL RATE;" (B) THE DEPARTMENT ADVISE DENMARK EMBASSY THAT DEPARTMENT UNDERSTANDS THAT CTE POSTPONED DECISION INFO REGARDING VARIOUS POSSIBLE RATES, AT WHICH TIME RETROACTIVE CLAIM WILL ALSO BE CONSIDERED. (C) QUESTION OF RETROACTIVE "ADJUSTMENT" CLAIM BE CONSIDERED WHEN EXCHANGE RATE INFO IS CIRCULATED TO CTE BY SECRETARIAT. JSC MEETS SEPTEMBER 21 TO CONSIDER CERTAIN PAPERS BUT SECRETARY SAYS DENMARK EXCHANGE RATE QUESTION WILL NOT REPEAT NOT BE TABLED THEN NOR BEFORE MID-OCTOBER.

5. IF DEPARTMENT WISHES TAKE INITIATIVE ON BEHALF DENMARK REQUEST, FOR REASONS USREP NOT AWARE, WE SHOULD TALK INFORMALLY WITH OTHER CTE MEMBERS, AND DISCUSS WITH UK/LONDON THE FACT THAT ICAO IS NOT REPEAT NOT COLLECTING IN ACCORDANCE WITH ART. XI.4 LIMITED OFFICIAL USE

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IS SOUND BASIS FOR NEGOTIATING APPROACH. HOWEVER, LEGALLY IT COULD BE ARGUED THAT UK "NEGOTIATIONS" WITH DENMARK ACCEPTED BY JSC IN 1972 AND EVERY SIX MONTHS THEREAFTER CONSTITUTES "FIXING" BY AGREEMENT BETWEEN GOVERNMENT OF DENMARK AND THE GOVERNMENT MAKING THE PAYMENT" (ALTHOUGH DENMARK IS NO LONGER ACCEPTING IT APPARENTLY. CHANGING APPLICABLE RATE FOR SECOND HALF 1976 CAN BE DONE BILATERALLY US/DENMARK, WITH COURTESY NOTIFICATION TO OTHER MEMBER COMMITTEE. IF US TAKE SUCH INITIATIVE IN

NEGOTIATING A RATE WITH DENMARK, THE COMMITTEE'S DECISION IN OCTOBER WILL BE PREJUDGED. WE SHOULD CAPITALIZE ON SUCH A MOVE WITH DENMARK AND ENDEAVOR TO MINIMIZE ANY RESENTMENT ON PART OF OTHER CONTRIBUTORS.

6. FYI: USREP WISHES POINT OUT THAT RESULTS OF SNAP PANEL INDICATE MUCH GREATER REDUCTION IN JOINT FINANCING OF DENMARK SCHEMES THAN ICELAND. END FYI.

7. USREP PREPARED TO DISCUSS DURING SEPTEMBER 9-10 CONSULTATION.  
HARPER

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